

## Form A - General Direction 2

Please complete the form below, ensuring that you respond to each section of the paper. The **main headings** relate to the reporting requirements of general direction 2 (2.4, a-f). The *sub-headings* provide you with guidance on the information that we would like you to provide in order to meet the reporting requirements.

a) Self-assessment by the operator on compliance of its access requirements with the obligation in Direction 2.1 throughout the <u>2016/17 period</u> .	
<p><i>I) Please provide a statement as to whether you consider that you have complied with the obligation in Direction 2.1 over 2016/17.</i></p> <p><i>You should cross reference a statement of compliance from a responsible person.</i></p>	<ul style="list-style-type: none"> <li>➤ C&amp;CCC confirms that for the reporting period 1 October 2016 to 30 September 2017 it has been compliant with General direction 2.1 'An operator of a regulated payment system which is not a PSR2009 payment system or Northern Ireland Cheque Clearing must have objective, risk-based and publicly-disclosed access requirements which permit fair and open access to the regulated payment system'. Please refer to our letter titled 'CCCC Statement of Compliance GD2 and GD4 2017' dated 31 October 2017, signed by C&amp;CCC's Director of Insight &amp; Control.</li> <li>➤ C&amp;CCC became designated for regulation by the Payment Systems Regulator (PSR) on 1 April 2015. At that time, designation for the PSR's purposes covered cheque, credit, euro and currency clearings. During this reporting period, the currency clearing was closed down and this compliance report therefore covers cheque, credit and euro clearings only.</li> </ul>
<p><i>II) Please provide us with an explanation and evidence of why you consider that your access requirements comply with General Direction 2.1.</i></p>	<ul style="list-style-type: none"> <li>➤ Participation in the paper clearing is open to authorised credit institutions, public authorities or publicly guaranteed undertakings subject to a number of <a href="#">access criteria published on the Company's website</a>.</li> <li>➤ The Image Clearing System( ICS) access model has been designed to maintain integrity in the payment system while being flexible, fair and open, and give as many PSPs as possible the opportunity to participate in the system. Cheque imaging is the process that enables images of cheques to be exchanged between banks and building societies, through the Image Clearing System, for clearing and payment. This significantly speeds up the clearing process.</li> <li>➤ Definitions and Access Criteria for each ICS participant type are outlined in the table below.</li> </ul> <p>A settlement participant has a settlement account at the Bank of England and settles for switch and indirect participants. It is responsible for all financial transactions on behalf of those Indirect and direct participants for which it has agreed to settle.</p>

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A switch participant is a payment service provider, processor or infrastructure company that submits payment transactions directly to/ from ICS (may settle direct or via another ICS Settlement Participant). It is possible for a participant to be both a settlement and a switch participant.

Item #	Image Clearing System (ICS) Access Criteria	Settlement Participant (and document ref)	Switch Participant (and document ref)
1	Hold an ICS RTGS account and an ICS Reserve Collateralisation Account (RCA) at the Bank of England.	Yes ICS Manual – Chapter IV - ICS Rules -Settlement Participation and Access Criteria - para 2.1.1	N/A
2a	Carry out business and operate an office within the EEA,	Yes ICS Manual – Chapter IV - ICS Rules -Settlement Participation and Access Criteria - para 2.1.2	Yes ICS Manual – ICS Requirements Section 1 – General Requirements A: Participation & Access Criteria
2b	Be any of:	Yes	Yes ICS Manual – ICS Requirements Section 1 – General Requirements A: Participation & Access Criteria
	•A company •A limited partnership •A limited liability partnership •A partnership •A sole trader	ICS Manual – Chapter IV - ICS Rules -Settlement Participation and Access Criteria - para 2.1.2	
2c	For the avoidance of doubt, individuals will not be eligible to be an ICS participant otherwise than for purposes which are wholly in the course of that individuals trade, business, craft or profession Be an institution or other business which falls within the definition of "participant" in the Regulations (Note Regulations relate to an external reference – The Financial Markets and Insolvency (Settlement Finality) Regulations 1999)	N/A	N/A
3	Have the ability to comply on a continuous basis with the technical and operational requirements of the ICS that apply to the participant category as set out in the User Documents from time to time	Yes ICS Manual – Chapter IV - ICS Rules -Settlement Participation and Access Criteria - para 2.1.3	Yes ICS Manual – ICS Requirements - Section 1 – General Requirements A: Participation & Access Criteria
4a	Pay the costs associated with participation in the ICS as a settlement or switch participant	Yes ICS Manual – Chapter IV - ICS Rules -Settlement Participation and Access Criteria - para 2.1.4	Yes ICS Manual – ICS Requirements Section 9 – Participation Costs
4b	A charge is payable by a switch participant in respect of each item processed through ICS in accordance with the table set out in the Image Clearing System (ICS) Manual Appendix A – Schedule (Participant Costs)	N/A	Yes ICS Manual – Appendix A – Schedule (Participant Costs)
5	If required by the ICS Operator, provide (and update as the ICS Operator requires) a legal opinion issued by an independent legal adviser and in terms acceptable to the ICS Operator, regarding, amongst other things, the participant's capacity to execute and be bound by the ICS Specifications applicable to the participant category	Yes ICS Manual – Chapter IV - ICS Rules -Settlement Participation and Access Criteria - para 2.1.5	Yes ICS Manual – ICS Requirements Section 1 – General Requirements A: Participation & Access Criteria

- Access requirements (eligibility criteria) to join the paper clearing system are published on C&CCC's public website.
- C&CCC's public website targets users by categorising information for Cheque Users, Banking

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	<p>Industry and Suppliers. An <a href="#">information hub</a> provides facts and figures, advice and news, and details of events.</p> <ul style="list-style-type: none"> <li>➤ <a href="#">C&amp;CCC's Articles, System Rules, Open Disclosure Policy, Conflicts of Interest Policy, Observer Policy, Redaction Policy and Anti-Slavery Statement</a> are publicly available on its website.</li> <li>➤ <a href="#">Participation costs</a> for direct access to the paper clearing are published on C&amp;CCC's website. The <a href="#">on-boarding process</a> for the paper clearing is on C&amp;CCC's website.</li> </ul>
<p><i>III) Please highlight any changes that have been made to the access requirements over 2016/17. Where changes have been made, please explain how they better meet the obligation in General Direction 2.1. and how they addressed any relevant concerns or focus areas we have identified.</i></p>	<p><i>Please incorporate a response to the following:</i></p> <p>“We expect the operators to finish their work in developing access models and solutions that facilitate the development of aggregators by the end of the year. We also expect them to be ready to progress applications for direct access for non-bank PSPs, if the Bank of England amends its settlement account policy and necessary legislative changes are made.”</p> <ul style="list-style-type: none"> <li>➤ During this reporting period, focus has been on timely implementation of the Image Clearing System. This will provide a platform for flexible, fair and open access in the context of the future structure of the payments industry. Close dialogue has been maintained with the regulator in this regard.</li> <li>➤ The use of central subscription services by indirect participants (also known as participant type Access Participant) is no longer an option. C&amp;CCC has made the decision that it will not offer ‘subscription’ (non-core) services to the open market and/or individual participants. It will instead be working with suppliers and vendors who can provide the services on the open market to ensure the open access principles remain a priority. C&amp;CCC will facilitate introductions as required. We believe this solution will support the PSR’s requirement to facilitate the development of aggregators. It is important to recognise that this decision has not been taken lightly, and close dialogue has been maintained with the regulator in this regard. We believe this facilitated approach will meet the PSR’s requirement to support access for non-bank PSPs if the Bank of England amends its settlement policy and necessary legislative changes are made.</li> <li>➤ Terminology used for on-boarding has been brought into line with that used in the Common Participant PSO Model put in place by the Interbank System Operators’ Coordination Committee (ISOCC) work (such as the use of ‘access criteria’ rather than ‘eligibility criteria’).</li> <li>➤ The Image Clearing System enables access by non-bank PSPs. A Participant Manager is in place at C&amp;CCC to handle expressions of interest and to manage on-boarding to ICS after the system has been implemented. The support of on-boarding is defined by the target operating model and the processes that are being introduced to support ICS.</li> </ul>

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**b) Details of all occasions in the 2016/17 period when an expression of interest in potentially securing direct access or direct technical access has been made and details of the operator's response to, and outcome of, such expression of interest.**

*I) Information for publication on new members and demand for access.*

*Complete the following table. Data should be correct as at 30 September 2017.*

<i>Expressions of interest</i>	<i>Signed letters of intent</i>	<i>New members during reporting period</i>	<i>No. of participants</i>
➤ None for the paper clearing.	➤ None for the paper clearing	➤ None. All discussions regarding expressions of interest relate to participation in ICS.	➤ 11 (direct members in the paper clearing system).
➤ One enquiry from a potential ICS new participant. Two fact-finding meetings were held with C&CCC's Participant Manager and monthly checkpoints set up.	➤ Letters of Intent to join the Image Clearing System were issued to existing participants on 29 September 2016 (i.e. at the end of the last reporting period). 9 responses have been received in the current reporting period, including new participants resulting from the structural reform (ring-fencing) programme).	➤ All onboarders will become participants of ICS at implementation of ICS on 30 October 2017.	➤ 17 participants.

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<p>II) Confidential information on demand for access.</p>	<p>Please complete the table at <b>confidential annex 1</b>. This information will not be published.</p>
<p><b>c) Details of all occasions in the <u>2016/17</u> period when an enquiry or objection regarding potential changes to the access requirements has been made to the operator and details of the operator's response to, and outcome of, such enquiry or objection.</b></p>	
<p>I) Number of enquiries made to change access requirements</p>	<p>➤ There have been no enquiries to change access requirements but there have been questions of clarification such as 'if we participate in ICS can we also be a member of the Board.' This has been asked, for example, by a number of new participants.</p>
<p>II) Please provide a general explanation of the process that is followed to deal with these enquires.</p>	<p>➤ The process for engaging with PSPs and other interested parties is as follows:</p> <ul style="list-style-type: none"> <li>○ Enquiries by email or though Company website <ul style="list-style-type: none"> <li>▪ Set up meeting between C&amp;CCC and participant relationship managers to understand the enquiry or objection;</li> <li>▪ Meeting followed up with agreed next steps which might include NDA to support access to technical documents where wider distribution might adversely impact the integrity of the payment system;</li> </ul> </li> <li>➤ Follow-up meetings, responding to questions as necessary.</li> </ul>
<p>III) Number of objections made to any proposed changes</p>	<p>➤ There have been queries and requests for assistance with regards to the change to provision of central subscription services. For example, Belfast Bankers Clearing Company Limited (BBCCL) and C&amp;CCC met to discuss the impact of the change to the subscription services to BBCCL's members (the Northern Irish banks that are becoming participants of ICS).</p>
<p>IV) Please provide a general explanation of the process that is followed to deal with these objections.</p>	<p>➤ The process for dealing with objections would be via the nominated C&amp;CCC Participant Manager and participant relationship contacts. The approach would be as follows:</p> <ul style="list-style-type: none"> <li>○ Email/website/phone call query raised</li> <li>○ Response email or call to understand concerns</li> <li>○ Gather information from programme/C&amp;CCC sources (e.g. technical/business input)</li> </ul> <p>➤ Responses to enquiries within 24//48 hours by email.</p>
<p>V) Confidential information on enquiries and objections.</p>	<p>Not applicable.</p>

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d) Details of all occasions in the <b>2016/17</b> period when the operator has engaged with, and considered, the views of payment service providers and other interested parties on the operation and effectiveness of its access requirements.	
<p><i>I) Please provide a general explanation of the process you follow to engage with interested parties.</i></p>	<ul style="list-style-type: none"> <li>➤ With the introduction of ICS C&amp;CCC has reached out via the programme, its existing regular meetings and different media to interested parties.</li> <li>➤ The level of communications and stakeholder engagement activity has picked up considerably since the timescales for delivering the Image Clearing System were announced in March 2017.</li> <li>➤ In March 2017 the ICS contractual framework documents were made available for public consultation with the ICS Manual that contains the rules for ICS being made available to the general public for review and comment. Comments and feedback were reviewed and changes incorporated where appropriate. The updated ICS documentation was approved by the C&amp;CCC Board and made available via the C&amp;CCC website.</li> <li>➤ A Cheque user forum meeting was held in London in June 2017 followed by regional meetings scheduled in September and October in Edinburgh, Belfast, Birmingham and Leeds. These meetings have been attended by members of C&amp;CCC Executive team.</li> <li>➤ The Cheque &amp; Credit blog, launched in June 2017, on the C&amp;CCC website features monthly updates.</li> </ul>
<p><i>II) Confidential information on views express relating to the operation and effectiveness of the access requirements.</i></p>	<p>Please complete the table at <b>confidential annex 3</b>. This information will not be published.</p>
e) Details of any anticipated <i>operator</i> review, or engagement with <i>payment service providers</i> and other interested parties, that the <i>operator</i> plans to take over the following 12-month period in relation to its <i>access requirements</i> .	
<p><i>1) If you have work <b>on-going</b> reviewing your access requirements please include a description of that work. You should explain the aim of the work (and how it related to the GD2 obligation), the progress that has been made to date, the</i></p>	<ul style="list-style-type: none"> <li>➤ Known changes will be managed through formal programmes of work to ensure appropriate engagement and governance steps are observed. In addition to the closing of the Euro currency, the implementation of ICS release 1.5 there will also be the closing of the Paper Scheme.</li> <li>➤ Release 1.5 will implement remaining functionality to ICS in 2018. The programme governance model will remain in place and the Agency Bank Forum meetings will continue. These meetings have been a successful method of engaging with indirect participants and C&amp;CCC and they will continue when the programme ends.</li> <li>➤ There are significant changes planned to the Euro clearing where processing will be bilateral and</li> </ul>

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<p><i>way in which stakeholders have informed the work and the expected completion date.</i></p>	<p>C&amp;CCC will no longer be the Settlement Service Provider for the Euro clearing. It is expected that the Euro clearing will close by the end of 2017.</p>
<p>II) If you are <b>planning</b> to review your access requirements in the next 12 months please include a description of the planned work. You should explain the aim of the work (and how it related to the GD2 obligation), the way in which stakeholders will be engaged in the work, the planned stages of the project and the expected completion date.</p>	<p>➤ The paper clearing will be decommissioned and the Members effectively off-boarded. This mean that access to cheque processing will be via the ICS only. The access requirements of the ICS have already been designed with this in mind.</p>
<p><b>f) Details of any anticipated future developments that the operator considers may require or justify material updates or changes to its access requirements.</b></p>	
<p>I) Please provide an explanation of the anticipated future external developments you have identified.</p>	<p>➤ In addition to the known changes within C&amp;CCC there will also be a programme of work to transfer ICS to the new Payment System Operator.</p>
<p>II) Please provide an explanation of how any of these developments could have an impact on your access requirements.</p>	<p>➤ The transfer of ICS to the New Payment System Operator (NPSO) will have a large impact on the participants of ICS depending on how the ICS operator company is set up and what governance model is put in place.</p>

## Form C - General Direction 4

Please complete the form below, ensuring that you respond to each section of the paper. The **main headings** relate to the reporting requirements of general direction 4 (4.2, a-c). The *sub-headings* provide you with guidance on the information that we would like you to provide in order to meet the reporting requirements.

a) self-assessment by the <i>operator</i> on compliance of the representation of the interests of service users in the operators governing body's decision making process throughout <u>2016/17</u>	
<p><i>I) Please provide a statement as to whether you consider that you have complied with the obligation in Direction 4.1.</i></p> <p><i>You should cross reference a statement of compliance from your responsible person.</i></p>	<ul style="list-style-type: none"> <li>➤ C&amp;CCC confirms that for the reporting period 1 October 2016 to 30 September 2017 it has been compliant with General Direction 4 'An operator of a regulated payment system which is not a card payment system or Northern Ireland Cheque Clearing must ensure that there is appropriate representation of the interests of service-users in the operator's governing body's decision-making processes.</li> <li>➤ Please refer our letter titled 'CCCC Statement of Compliance GD2 and GD4 2017' dated 31 October 2017, signed by C&amp;CCC's Director of Insight and Control.</li> </ul>
<p><i>II) Please provide us with an explanation and evidence of why you consider that your governance arrangements and internal processes mean that there is appropriate representation of the interests of service-users in the operator's governing body's decision-making processes.</i></p>	<ul style="list-style-type: none"> <li>➤ Potential new participants have been able to attend and influence at ICS programme groups, including the Programme Working Group (PWG) that is responsible for managing the programme deliverables against the agreed programme plan and time frame. Organisations such as BBCCL also sit on PWG.</li> <li>➤ The ICS Governance Working Group was set up to ensure that the draft scheme governance rules and procedures were developed and in place for the launch of ICS and that they met the requirements of regulators for open, fair, non-discriminatory access to the payments infrastructure and systems.</li> <li>➤ C&amp;CCC encourages feedback from service-users via our website and the email addresses <a href="mailto:info@chequeandcredit.co.uk">info@chequeandcredit.co.uk</a> and <a href="mailto:questions@chequeandcredit.co.uk">questions@chequeandcredit.co.uk</a>.</li> </ul>
<p><i>III) Please explain the process that you have in place to collect service users' views (eg forms/user groups, surveys and</i></p>	<ul style="list-style-type: none"> <li>➤ Cheque Image Awareness Tracking research has been carried out half yearly amongst consumers, businesses and charities since September 2015 but this was increased to quarterly from September 2016 to monitor the effectiveness of the communications campaign.</li> <li>➤ C&amp;CCC commissioned research resulting in a report published by Toynbee Hall in June 2017 that</li> </ul>

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<p><i>research, meetings and request, consultation).</i></p>	<p>explored the impact of cheque imaging on low income, financially excluded individuals – particularly around the potential impact on those who use the services of third party cheque cashers.</p> <ul style="list-style-type: none"> <li>➤ The geographical Cheque User Forum meetings enable end users, trade associations and interest groups to speak directly to C&amp;CCC, including the Executive team and members of the ICS programme.</li> </ul>
<p><i>IV) Please explain the process that you have in place to ensure these views are represented at board level (eg INED, service users represented on the board, board sub-committees)</i></p>	<ul style="list-style-type: none"> <li>➤ The C&amp;CCC Board has an independent Chair as well as a Senior Independent Board Director. The Independent Board Directors also chair the senior committees – Risk &amp; Governance, Audit &amp; Finance and Appointments &amp; Remuneration.</li> <li>➤ The Articles of Association state that resolutions that concern the public interest must be voted for by one of the Independent Directors.</li> <li>➤ In addition, the nomination form that must be completed by anyone wishing to become a Board Director states that part of the responsibilities of a Director is to ensure that the interests of consumers, innovators and challenger industry players are fully considered by the Board.</li> </ul>
<p><i>V) Please explain the process that you have in place to ensure that service users get general and specific feedback from the board and understand the rationale for the board’s decisions.</i></p>	<ul style="list-style-type: none"> <li>➤ Regular one to one Participant Readiness meetings are held with prospective new participants and there is engagement and communication with organisations that have expressed an interest in becoming participants. The number of meetings with each organisation varies according to their requirements.</li> <li>➤ The Senior Implementation Group (SIG) ensures that all UK users of cheque clearing have an equal opportunity to participate in the ICS including the provision to non-C&amp;CCC members of appropriate information and support. SIG provides updates to C&amp;CCC Board and ensures that participants are aware of feedback from Board.</li> </ul>
<p><i>VI) Please highlight any changes that have been made to your governance arrangements and internal processes over the relevant period. Where changes have been made, please explain how they better meet the obligation in General Direction 4.1.</i></p>	<ul style="list-style-type: none"> <li>➤ An interim governance model has recently been approved by Board that supports the period from when ICS is live until NPSO assumes control. The model defines a committee structure that supports the paper clearing and ICS. The structure is on a direct path to the expected mature Governance model that will be put in place when the paper scheme is obsolete. It is important that decisions can be made for ICS that are reflective of all participant views while not bringing conflict with Member interests in C&amp;CCC.</li> </ul> <p>The model introduced Fraud, Security and Operational Advisory Groups that provide a forum for participants, PSPs and other organisations to attend to discuss matters that are relevant to ICS so that their feedback and recommendations can be taken to decision-making committees. The committee structure retains the benefit of existing member expertise and stakeholder</p>

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	<p>engagement and enables operational tactical decisions to be made faster in recognition of ICS' faster clearing cycle. The governance model is being rolled out and participants will be asked to nominate representatives.</p> <ul style="list-style-type: none"> <li>➤ As well as participant and Member views the governance model also utilises the existing methods for engaging directly with end users that are in place for the paper clearing as well as those that have been introduced for ICS by the programme. These are the Cheque User Forum and Agency Bank Forum meetings.</li> </ul>
<p><i>VII) Please provide examples of how this service user representation is captured in the decisions of your board when performing its functions and duties.</i></p> <p><i>For example – How do you ensure that your strategy captures service-user needs?</i></p>	<ul style="list-style-type: none"> <li>➤ ICS Manual approved by Board in July 2017 after public consultation.</li> <li>➤ Throughout the ICS programme the Board has considered both the needs of the participants and the needs of the service users when looking at the implementation date and also the functionality that is to be made available.</li> </ul>
<p><b>b) Details of all occasions in <u>2016/17</u> when the operator has engaged with, and considered, the views of service-users (including indirect payment service providers) and other interested parties on the effectiveness of the representation of the interests of service-users in its decision-making processes of its governing body.</b></p>	
<p><i>I) Confidential information on engagement with service-users.</i></p>	<p><i>Please complete the table at <b>confidential annex 4</b>. This information will not be published.</i></p>

c) details of any anticipated review, or engagement with service-users (including indirect payment service providers) and other interested parties, that the operator plans to take over the following 12-month period in the representation of the interests of service-users in its decision-making processes of its governing body.	
<p>I) If you have <b>on-going</b> work reviewing or changing your engagement with service users please include a description of that work. You should explain the aim of the work (and how it related to the GD4 obligation and any relevant concerns or focus areas we have identified), the progress that has been made to date, the way in which stakeholders have informed the work and the expected completion date.</p>	<ul style="list-style-type: none"> <li>➤ The interim governance model has already been agreed and is in the process of being implemented. Participants and Members are being engaged. Other organisations will be brought into the committee structure as the Advisory Groups are set up and introduced towards the end of 2017 and the beginning of 2018. Currently the focus is on the implementation of ICS. (ICS successfully went live on 30<sup>th</sup> October 2017).</li> </ul>
<p>II) If you are <b>planning</b> to review or change your engagement with service users in the next 12 months please include a description of the planned work. You should explain the aim of the work (and how it related to the GD4 obligation), the way in which stakeholders will be engaged in the work, the planned stages of the project and the expected completion date.</p>	<ul style="list-style-type: none"> <li>➤ C&amp;CCC's engagement with service users may change as a result of the change of governance that may be introduced when ICS is transferred to the NPSO.</li> <li>➤ When the paper clearing is decommissioned (it is anticipated that this will be in summer 2018) then the ICS will become the sole means of clearing sterling cheques. The governance structure associated with the paper clearing will be closed down but the engagement with end users, such as the Agency Bank forum meetings will remain in place.</li> </ul>

